Government of Saskatchewan

Annual Report 1986-87

The Saskatchewan Beef Stabilization Board

88-05612/

Saskatchewan
Beef Stabilization Board
Annual Report
1986-87

Office
The Imperial Centre
309 Hoffer Drive
Regina, Saskatchewan S4N 6E2

Saskatchewan

Saskatchewan
Beef
Stabilization
Board

The Imperial Centre
309 Hoffer Drive
Regina, Canada
S4N 6E2

(306) 924-0618
Toll Free: 1 (112) 800-667-5693

Saskatchewan Beef Stabilization Board

To His Honour,
The Honourable Frederick W. Johnson
Lieutenant Governor
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1987.

I have the honour to be, Sir,
Your obedient servant,

Honourable Grant Devine, Premier
Minister of Agriculture

Saskatchewan
Beef
Stabilization
Board

Saskatchewan

The Imperial Centre
309 Hoffer Drive
Regina, Canada
S4N 6E2

(306) 924-0818
Toll Free: 1 (112) 800-667-5693

Saskatchewan Beef Stabilization Board

Honourable Grant Devine, Premier
Minister of Agriculture
Province of Saskatchewan

Sir:

I am pleased to present herewith the Annual Report of the Saskatchewan Beef Stabilization Board for the twelve months ending March 31, 1987.

Respectfully submitted,
Boyd Anderson, Chairman
Saskatchewan Beef Stabilization Board

Saskatchewan
Beef
Stabilization
Board

Chairman's Comments - 1986-87

This report covers the fifth full fiscal year of operation of the Saskatchewan Beef Stabilization Board. The general functions of the Board are to:

1. Administer two market insurance programs for cattle, known as the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.
2. Provide the contract holders with a cattle selling system, organized around the central desk.

The two Market Insurance Programs are based upon insurance principles. Producers' premiums or levies are collected at the time of sale of each animal and the provincial government matches this levy. The plans collect levies at all times and makes stabilization payments on participating animals only when the market price falls below the support level as determined by a percentage cost of production formula.

The central desk marketing service offers the participants different options for marketing their cattle, the objective being to get the best price possible for all contract holders.

The majority of the cattle are sold as full loads through the telephone at the central desk. The producers inform the central desk of the number of cattle, weight, sex and breed.

The central desk will offer these cattle to the various Packing Plants that are in need of fat cattle. The bids will be received and transmitted back to the producers. The producer makes the final decision on the sale of his cattle. The producer has flexibility and choice within the Board's regulations.

Other approved methods of selling are: direct to local plants for small numbers, or direct to abattoirs. Cattle may also be sold live in large numbers out of the feedlots, as they may be sold live at approved auction sales. The Board insists on the producers or their agents being in touch with the central desk regardless of what method of selling is selected.

The majority of the cattle are sold to Packing Plants in Saskatchewan, Manitoba and Alberta, with smaller numbers going to Ontario and U.S.A.

This year saw much interest and activity in the cattle feeding industry. With the drought behind us, the price of grains on the decline, government programs, and confidence in the market insurance plans cattle feeding in Saskatchewan increased significantly. The total increases in cattle in the plan was 30% and for the first time ever in Saskatchewan we kept more than 50% of our feeder cattle in Saskatchewan.

Board members spent considerable time studying the tripartite scheme, and also worked with the Saskatchewan Stock Growers Association and Saskatchewan Cattle Feeders Association studying the effects of Venture Capital on the livestock feeding industry of Saskatchewan.

Our Minister of Agriculture, Premier Grant Devine, made an announcement in January that the Saskatchewan Government planned to join the Tripartite scheme for cattle. As Chairman of the Board I spent some time in consulting cattlemen in Ontario, Alberta, and also federal officials in attempt to determine what our entry situation would be. By the year's

end on March 31st very little progress towards Tripartite signing had been reached and our Board and staff carried on in fine-tuning our own program for future years.

During the past year we once again had a good relationship with Packers and other industry persons. The brand inspectors have been most co-operative and have helped us to build respect for our branding regulations.

Canada Packers Winnipeg have announced the closing of their plant there. This closing along with a movement of cattle to the U.S.A. will probably see more cattle being killed in Saskatchewan and Alberta. However, for years to come Montreal will remain a major market for western beef.

In an effort to keep our contract holders better informed we have an arrangement with Can-Fax Calgary to supply our larger contract holders with up to date market information.

A.R. (Dick) Pratt of Saskatoon was appointed to the Board filling the vacancy created by the death of George Beilhartz. The Board has representation from the following organizations:

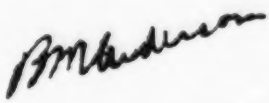
Saskatchewan Cattle Feeders Association
National Farmers Union
Western Canada Cow-Calf Association
Saskatchewan Stockgrowers Association
Saskatchewan Association of Rural Municipalities
Saskatchewan Livestock Market Association

As Chairman, I feel very confident about the efficiency of our operation. Our operation is unique in that there is not another plan exactly the same from which one could learn or compare. With the dedication of the Board, management, Department of Agriculture and the livestock industry of Saskatchewan, it seems to me that we have developed a plan that will work and which will have the confidence of the contract holders.

It has not been easy for the livestock industry of Saskatchewan to accept even a very limited amount of controls and regulations. Therefore we have attempted to operate our plan with as little interference as possible, but always keeping in mind the fact that the Government of Saskatchewan through the matching levies have put up large amounts of tax dollars and it is our responsibility to see that our contract holders meet their commitments. With an expanding industry, these government expenditures will have been well spent.

Certainly in Saskatchewan with our people, our feed grains etc., we have the capacity to some day feed out all of our feeder cattle. In this way Saskatchewan will reap the benefits of the value added.

The year ahead of us, 1987-88, promises to be a very exciting year and I believe we will see another increase in the numbers of cattle that will be fed out in our province.



Boyd Anderson
Chairman
Saskatchewan Beef Stabilization Board

Board Personnel

Board of Directors

Mr. Boyd Anderson, Chairman ..... Fir Mountain
Mr. W.G. (Bud) Morken, Vice-Chairman ..... Sturgis
Mr. Errol Cochrane ..... Fort Qu'Appelle
Mr. Lorne Cholin ..... Kerrobert
Mr. Rudy Jurke ..... Lloydminster
Mr. Bernard Kirwan ..... Gull Lake
Mr. Richard Pratt ..... Saskatoon
Mr. Orville Thompson ..... Carnduff
Mr. Evans Thordarson ..... Mozart
Mr. Ed Wirtz ..... Rosetown

Board Changes During the Year

In March, 1987, Saskatchewan Agriculture Minister Grant Devine announced the appointment of Mr. Dick Pratt of Saskatoon as a Director of the Saskatchewan Beef Stabliziation Board.

Staff

Jim Stalwick ..... General Manager
Stewart Stone ..... Manager, Finance & Administration
Harry Long ..... Marketing Manager

The Board also employed a total of 24.5 full-time and temporary staff as of March 31, 1987.

Operations Data

	1986/87	1985/86
Total S.B.S.B. cattle marketings	218,982	167,736
Active Production Units		
Cow Calf to Finish Market Insurance Plan	2,693	2,896
Feeder to Finish Market Insurance Plan	1,120	1,088
Animals Stabilized		
Cow Calf to Finish Market Insurance Plan	87,266	90,709
Feeder to Finish Market Insurance Plan	117,993	63,273
Saskatchewan Sales of Steers & Heifers		
Totals Sales	285,070	249,610
S.B.S.B. % of Total Sales	76.8%	67.2%

1986/87 Marketings by Destination	Total Saskatchewan		S.B.S.B.	
	No. Head	%	No. Head	%
Saskatchewan	184,870	64.4	130,977	59.8
Manitoba	85,490	29.8	73,594	33.6
Alberta	9,570	3.3	10,237	4.7
Ontario	6,670	2.3	3,990	1.8
U.S.A.	430	0.2	184	0.1
	287,070	100.0	218,982	100.0

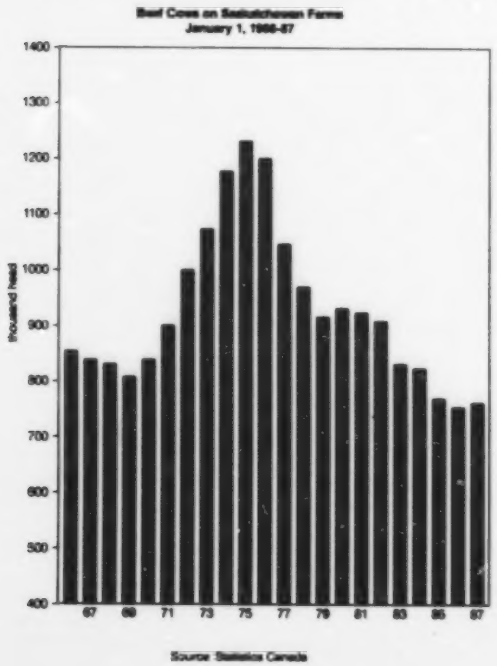
Weekly Volume Highlights (No. Head)	
High-week ending June 27, 1986	7,233
Low-week ending December 26, 1986	1,918
Average weekly volume	4,050
Weekly Average Rail Grade Price	
High-week ending November 23, 1986	1.4713
Low-week ending June 22, 1986	1.1736

Saskatchewan
Beef
Stabilization
Board

Operations - 1986/87

Industry Review

The Saskatchewan cow herd increased slightly in 1986-87, the first cow herd increases experienced in Saskatchewan during this decade. Statistics Canada reports the beef cow herd in Saskatchewan as of January 1, 1987 at 765,000 cows, up approximately 5,000 cows from one year earlier. The Canadian beef cow herd increased by 26,000 cows to 2,974,500 cows as of January 1, 1987. In addition to Saskatchewan, modest cow herd increases were also recorded in British Columbia and Ontario. The Saskatchewan share of the total Canadian beef cow herd remained unchanged



from a year earlier at 25.7%. Heifers for replacement increased tc 125,000 head from 111,000 head the previous year, an increase of approximately 13%. The trends noted above would suggest that th cow herd numbers in Saskatchewan have begun to stabilize, thus ending ten years of cow herd "sell-off".

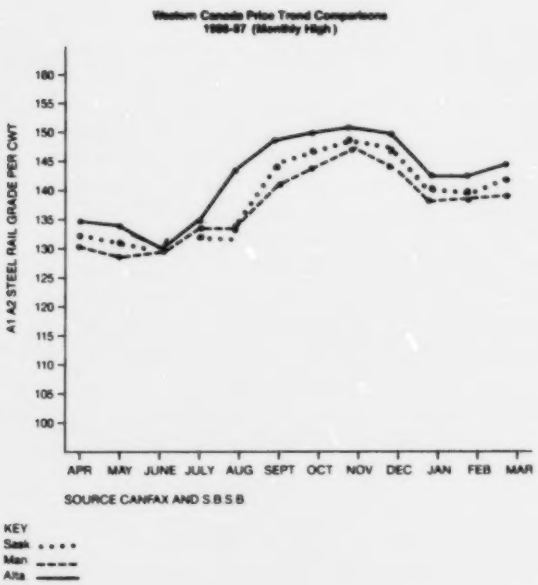
Per capita consumption of beef increased to 86.4 pounds in 1986, up from 85.5 pounds the previous year. After ten years of declining per capita consumption of beef, this is the second year in a row that a small increase in consumption has been recorded.

Poultry consumption was also up from 55.3 pounds to 55.6 pounds, the fifth consecutive year of increases. Pork consumption in 1986 was 60.9 pounds per capita, a decrease of 1.9 pounds from the previous year.

Market prices for the 1986/87 year improved steadily April through November before tapering off slightly December through March, to end the year at $1.39 per pound. Average weekly prices fluctuated from a high in November of $1.47 per pound to a low in June of $1.17 per pound. The range of fluctuation in the market price was smaller than those recorded in previous years.

In 1986-87 the number of steers and heifers being fed to slaughter weight increased significantly from the previous year as a result of lower interest rates, lower feed prices, improved markets and government incentives. During the 1986-87 year Saskatchewan managed to finish steer and heifer production at 37% of the cow herd. This compares to steer

and heifer production of approximately 20% in 1979, 1980 and 1981. The trend was dramatically reversed in 1982 back up to 30.7%. Since that time the output of slaughter steers and heifers has been increasing steadily with the exception of a slight decrease in 1985-86 year. The turnaround in Saskatchewan origin slaughter steers and heifers is reflected in the relative healthiness and optimism of our feedlot industry and packing plants.



Participation

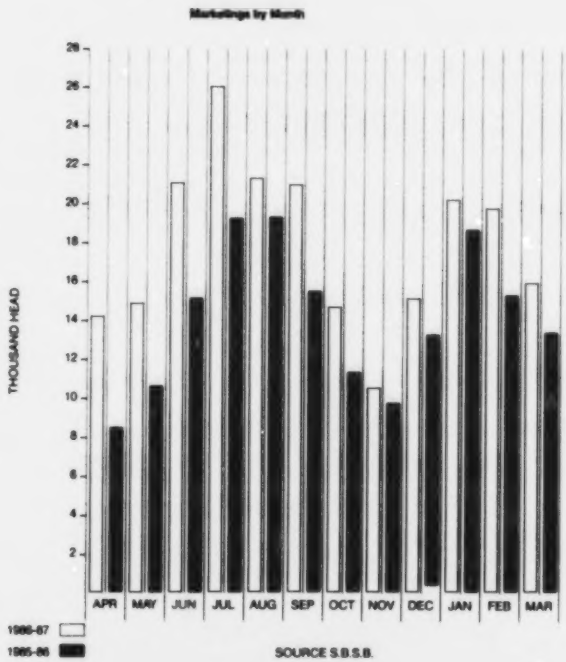
Records for the 1986-87 year indicate a net decrease in total contracts registered in both programs over the previous year. Registration in the Cow Calf to Finish Program decreased from approximately 2900 to 2700 production units, representing approximately 4650 producers. By March 31, 1987, 1120 production unit contracts were registered in the Feeder to Finish a net increase of 3% from the end of the prior year.

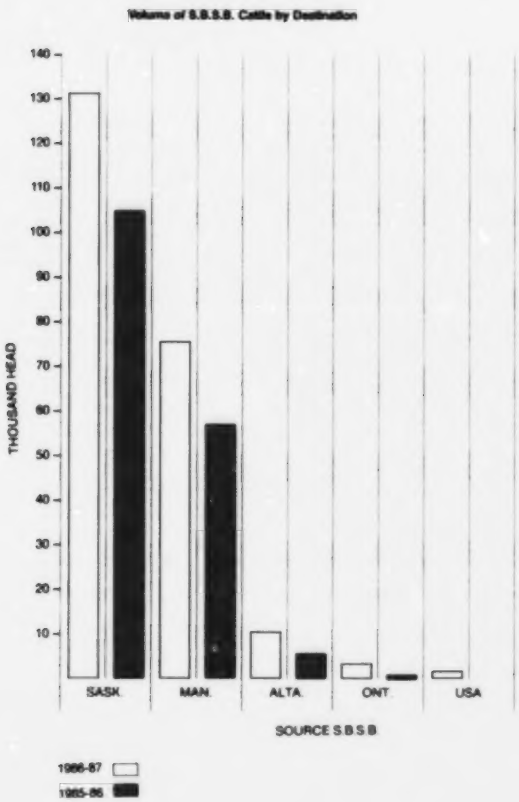
During the 1986-87 fiscal period, the Saskatchewan Beef Stabilization Board marketed 218,982 head, or 76.8% of the total Saskatchewan origin steers and heifers. This represented an increase of 51,246 head and 30.6% respectively over the prior fiscal year.

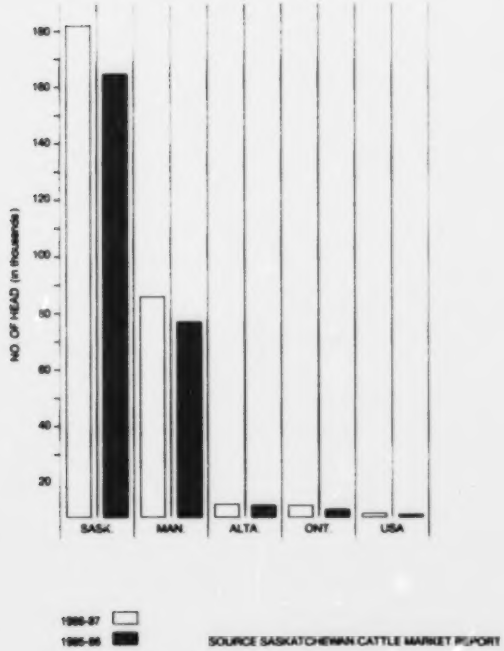
Finished Marketings

Producers have the option of marketing animals eligible for stabilization in full loads through the Central Marketing Desk, in small lots delivered direct to packing plants, on a live weight basis through auction, and by making their own arrangements through abattoirs. The majority of cattle marketed through the Saskatchewan Beef Stabilization Board were on a daily tender requiring bids on a rail grade basis. Approximately 1% were sold through abattoirs while 6.6% were sold on a liveweight basis.

During the 1986-87 year, the Board received bids on cattle from slaughter plants in Saskatchewan, Manitoba, Alberta, Ontario and U.S.A. Saskatchewan meat processors purchased 59.8% of cattle marketed through the Saskatchewan Beef Stabilization Board. Of the balance 33.6% went to Manitoba, 4.7% to Alberta, 1.8% to Ontario and 0.1% to the U.S.A.







Administration

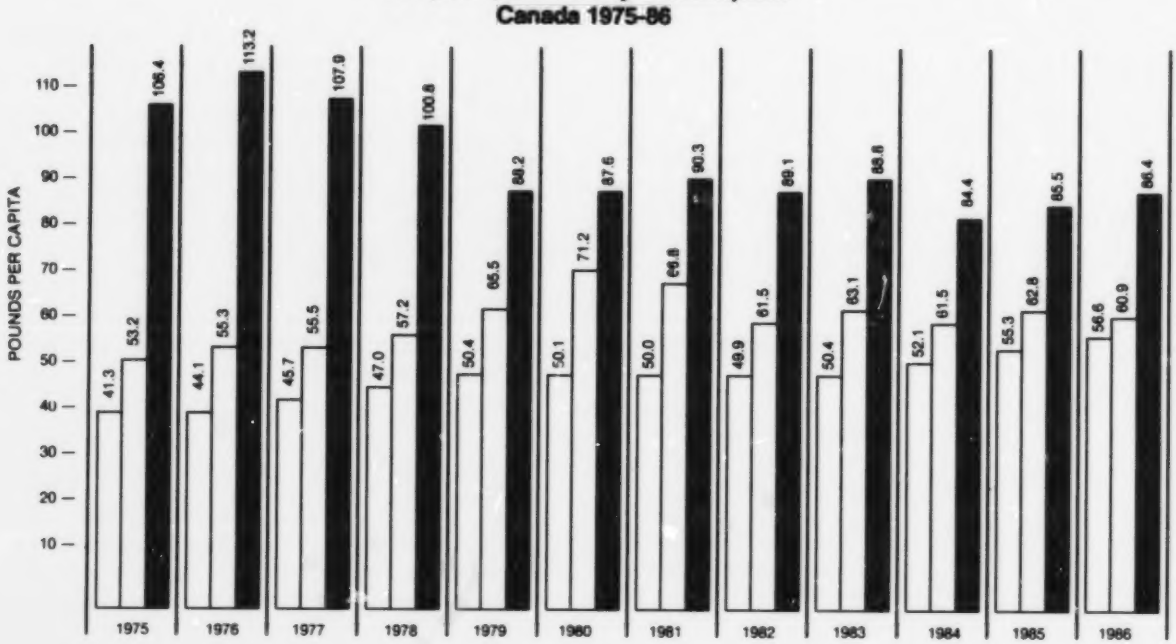
In 1986-87 the Board continued its efforts to keep producers informed of the programs, important regulations and industry developments. In addition to newsletters, visits to 26 Ag. Rep offices in March 1987 by Board staff, where private meetings with producers regarding participation in the Beef Market Insurance Program were available. Many producers took the opportunity to meet with staff at these meetings. In addition, the Board's part-time Field Staff made approximately 600 on-farm visits to slightly more than 22% of the contract holders.

In January the Minister of Agriculture, Premier Grant Devine announced the Saskatchewan Government planned to join the Federal Tripartite Program for cattle. As a result, the Board spent a considerable amount of time studying the effects the tripartite program would have on the Saskatchewan cattle industry. By years end, March 31, very little progress towards the signing of tripartite had been reached and Board members and staff continued to fine tune our program for future years. In addition, the Board committees met regularly throughout the year to deal with producer concerns, regulation interpretation and financial review.

During the past year we maintained a good working relationship with those directly involved in the cattle industry. The provincial brand inspectors have been most co-operative in assisting the Board in ensuring that our branding regulations are enforced and respected.

The 1986-87 year saw a continuation of the Board's efforts to provide relevant and timely information to producers. The addition of Canfax and the continual improvement of the Board's computerized data base, provides readily available statistical information important to the development of the Saskatchewan cattle industry.

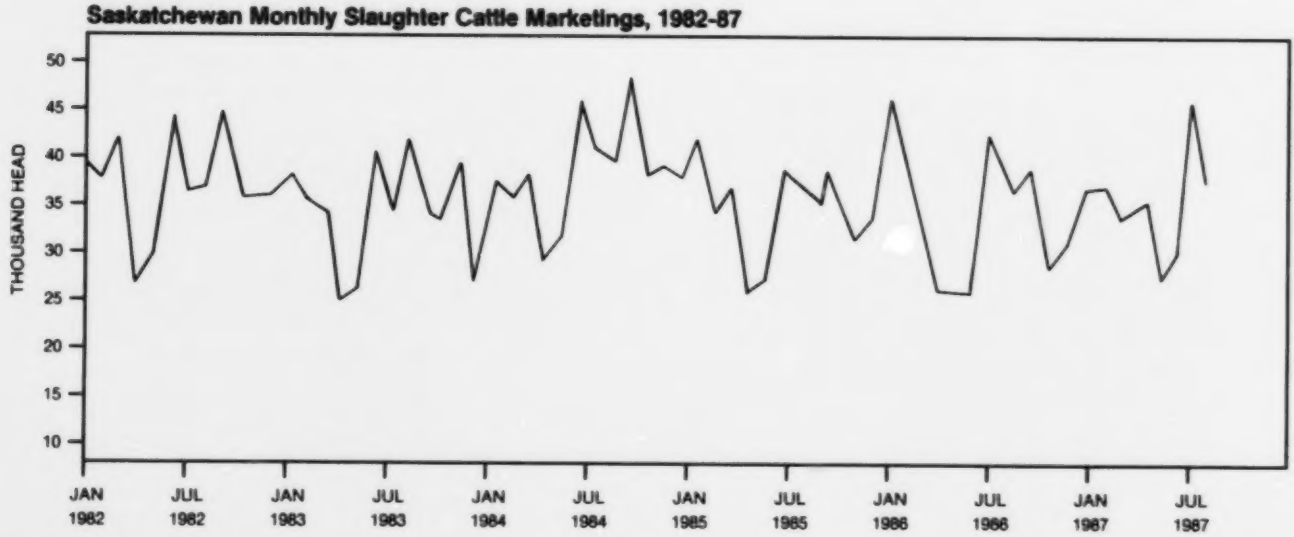
Beef, Pork, and Poultry Consumption
Canada 1975-86



SOURCE STATISTICS CANADA: Apparent Per Capita Food Consumption in Canada, Catalog No. 32-229/230 (revised series)

Poultry
Pork
Beef

Saskatchewan Monthly Slaughter Cattle Marketings, 1982-87



SOURCE SASKATCHEWAN CATTLE MARKET REPORT

Saskatchewan
Beef
Stabilization
Board

Saskatchewan
Beef Stabilization Board

Financial Statements

Year Ended March 31, 1987

Office of the Provincial Auditor
Regina, Saskatchewan

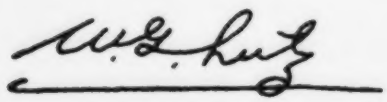
Saskatchewan
Beef
Stabilization
Board

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the balance sheet of the Saskatchewan Beef Stabilization Board as at March 31, 1987 and the statements of revenue, expenditure and surplus and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in note 1 to the financial statments applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
November 20, 1987

W.G. Lutz, F.C.A.,
Provincial Auditor.

Statement 1

Saskatchewan Beef Stabilization Board
Balance Sheet
March 31, 1987

		1987		1986
ASSETS				
Current Assets:				
Cash		$ 718,005		$ 439,781
Accounts receivable:				
- Department of Agriculture		68,904		74,515
- Accrued interest		36,084		38,738
- Miscellaneous		112,703		42,563
		935,696		595,597
Fixed assets (Notes 1 (b) and 5)		306,222		353,136
Producers' trust fund assets:				
Cash	$2,997,546		$2,277,161	
Accounts receivable	1,790,778	4,788,324	1,212,854	3,490,015
		$6,030,242		$4,438,748
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable		$ 47,778		$ 32,948
Producers' trust fund liabilities:				
Due to producers	$3,488,684		$2,966,320	
Due to Cow Calf to Finish Market Insurance Plan	565,181		325,696	
Due to Feeder Finish Market Insurance Plan	562,325		112,435	
Other	172,134	4,788,324	85,564	3,490,015
Deferred revenue — government assistance (Note 1 (d))		28,000		42,000
Equity:				
Surplus (Statement 2)		1,166,140		873,785
		$6,030,242		$4,438,748

(See accompanying notes to the financial statements)

Statement 2

Saskatchewan Beef Stabilization Board
Statement of Revenue, Expenditure and Surplus
For the Year Ended March 31, 1987

	1987	1986
Revenue:		
Interest	$ 525,046	$ 383,807
Marketing fees	572,598	425,757
Department of Agriculture - administration grant	352,614	329,800
- feeder finish program development grant (note 1(d))	14,000	14,000
Insurance commissions	40,478	28,001
Miscellaneous	768	224
	$1,505,504	$1,181,589
Expenditure:		
Salaries and employee benefits	$ 666,260	$ 627,896
Communications	124,665	107,755
Amortization and Depreciation	119,215	106,255
Directors' honoraria and travel	59,870	67,624
Fieldman per diem and travel	31,222	34,659
Computer services	30,850	32,750
Office supplies	37,389	26,742
Computer maintenance	20,608	23,609
Travel and sustenance	18,330	18,596
Investigations	17,873	17,255
Producer information	4,133	16,917
Miscellaneous	34,587	16,666
ASA 90	4,537	14,149
Dues and subscriptions	16,070	11,663
Accounting and legal	19,767	9,362
Bank charges	7,773	7,040
	1,213,149	1,138,938
Excess of revenue over expenditure	292,355	42,651
Surplus, beginning of year	873,785	831,134
Surplus, end of year	$1,166,140	$ 873,785

(See accompanying notes to the financial statements)

Statement 3

Saskatchewan Beef Stabilization Board
Statement of Changes in Cash Position
For the Year Ended March 31, 1987

	1987	1986
Cash provided by operations:		
Excess of revenue over expenditure	$292,355	$ 42,651
Add charges to operations not requiring an outlay of cash:		
Amortization and depreciation	119,215	106,255
Amortization of deferred revenue	(14,000)	(14,000)
	397,570	134,906
Net change in non-cash working capital	(47,044)	22,823
Proceeds from sale of fixed assets	900	—
Cash from operations available for capital expenditure	351,426	157,729
Cash used for capital expenditures:		
Acquisition of fixed assets	73,202	51,676
Increase in cash	278,224	106,053
Cash, beginning of year	439,781	333,728
Cash, end of year	$718,005	$439,781

(See accompanying notes to the financial statements)

Saskatchewan Beef Stabilization Board
Notes to Financial Statements
March 31, 1987

1. **Significant Accounting Policies**

   (a) Revenue Recognition

   Marketing fee revenue is recognized on the basis of slaughter date.

   (b) Fixed Assets

   Equipment is recorded at cost less accumulated depreciation; maintenance and repairs are charged against operations as incurred.

   Equipment is depreciated over its estimated useful life on the diminishing balance method at 20% per annum.

   Capitalized computer hardware and software development costs are depreciated over their estimated useful lives on the straight-line method at 20% per annum.

   (c) Producers Trust Fund

   The producers' trust fund was established to collect funds from the sale of producer's cattle to the packing plants and segregate these funds into amounts held for producers, truckers/assemblers, insurance, stabilization levies and marketing levies, and to make payments or transfers to these groups as appropriate.

   (d) Deferred Revenue - Government Assistance

   Deferred revenue represents the unamortized portion of funds received from the Department of Agriculture to partially finance the development expense of the Feeder Finish Market Insurance Plan. Amortization is calculated at 20% per annum on the straight-line basis to correspond with depreciation and amortization of computer hardware and software costs.

2. **Incorporation**

   The Board was established under The Beef Stabilization Act 1980-81, C. B-0.1 and commenced operations on January 1, 1982. The Board's main function is to market beef on behalf of producers and to administer the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

3. **Cow Calf to Finish Market Insurance Plan and Feeder Finish Market Insurance Plan**

   The Board administers the above plans which form part of The Saskatchewan Agricultural Returns Stabilization Fund established under Section 5 of The Saskatchewan Agricultural Returns Stabilization Act. Stabilization transactions are therefore included in the financial statements of The Saskatchewan Agricultural Returns Stabilization Fund.

4. **Related Party Transactions**

   Related parties to the Board are Saskatchewan's Crown controlled departments, agencies and corporations.

   (a) Transactions at market value.

   Transactions entered into with related parties for purchase of supplies and services such as telephone and computer services are recorded at normal market prices.

   (b) Costs borne by other agencies.

   The Board has not been charged with any occupancy costs nor has any provision for such costs been reflected in these financial statements.

5. **Fixed Assets**

   The costs and related accumulated depreciation and amortization are:

	Cost	Accumulated Depreciation and Amortization	1987 Net Book Value	1986 Net Book Value
Office equipment	$ 13,562	$ 5,014	$ 8,548	$ 2,414
Computer hardware	276,060	155,430	120,630	163,856
Computer software	337,960	160,916	177,044	186,866
	$627,582	$321,360	$306,222	$353,136

6. **Reclassification**

   Certain amounts from prior years have been reclassified to conform with presentation in 1987.

Five Year Summary — unaudited

	1986-87	1985-86	1984-85	1983-84	1982-83
Number of Head	218,982	167,736	186,703	196,173	187,826
Revenues	1,505,504	1,181,589	1,323,921	1,147,562	1,367,553
Expenses	1,213,149	1,138,938	1,145,245	983,195	958,043
Excess of Revenue over Expenses	292,355	42,651	178,676	164,367	409,510
Current Assets	5,724,020	4,085,612	2,674,317	3,918,066	4,666,599
Current Liabilities	4,836,102	3,522,963	2,194,898	3,622,935	4,434,174
Plant and Equipment Additions	73,202	51,676	74,564	172,345	253,197
Depreciation and Amortization	119,215	106,255	94,177	684	854
Average Number of Employees	24.5	21.5	21.5	18	18